

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SSO-00 USIE-00 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 INRE-00 NSCE-00 /072 W

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O 141601Z SEP 76

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC IMMEDIATE 3066

C O N F I D E N T I A L TEL AVIV 6340

E.O. 11652: GDS

TAGS: EAID, IS

SUBJECT: U.S. ASSISTANCE TO ISRAEL

REF: TEL AVIV 6185

1. I MET WITH FINANCE MINISTER RABINOWITZ SEPTEMBER 14 TO RECEIVE A PAPER OUTLINING ISRAEL'S FINANCIAL REQUIREMENTS FOR CALENDAR YEARS 1977-79. THE MEETING WITH ME WAS ARRANGED TO COINCIDE WITH DINITZ'S PRESENTATION OF PAPER TO ASSISTANT SECRETARY ATHERTON IN WASHINGTON. AS DEPARTMENT IS AWARE, THE PAPER CONTAINS NO MAJOR CHANGES FROM THE DOCUMENT GIVEN TO OMB DIRECTOR LYNN IN JULY. THE BOTTOM LINE, SHOWS THE GAP BETWEEN ISRAEL'S FOREIGN EXCHANGE REQUIREMENTS AND AVAILABILITIES, BEFORE U.S. AID, AS AVERAGING ABOUT \$2.3 BILLION ANNUALLY.

2. RABINOWITZ SAID HE WISHED TO TAKE THE OPPORTUNITY AT OUTSET TO THANK THE AMERICAN PEOPLE, GOVERNMENT, AND PRESIDENT FORD FOR THE UNPRECEDENTED ASSISTANCE EXTENDED TO ISRAEL IN RECENT YEARS. OUR POLITICAL, MILITARY AND ECONOMIC SUPPORT WAS GREATLY APPRECIATED. WE SHOULD KNOW ALSO THAT THE FRIENDSHIP AND COOPERATION BETWEEN OUR TWO PEOPLES WAS A SOURCE OF CONSTANT REASSURANCE AND ENCOURAGEMENT TO ALL ISRAELIS. RABINO-  
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WITZ STRESSED THAT GOI WAS FOLLOWING AND WOULD CONTINUE TO FOLLOW

RESTRICTIVE ECONOMIC POLICIES. PROOF THAT THIS POLICY IS PAYING OFF IS THE REDUCTION IN THE TRADE GAP THIS YEAR OF \$375 MILLION. THIS REDUCTION, WHICH WAS BEYOND THEIR EXPECTATIONS, WAS THE RESULT OF EXPANDED EXPORTS AND REDUCED IMPORTS PLUS LOWER THAN EXPECTED IMPORT PRICES. THEIR TARGET IS TO REDUCE THE BOP DEFICIT BY \$300 MILLION PER YEAR UNTIL 1980. IF THIS CAN BE ACHIEVED, ISRAEL'S NEED FOR NON-MILITARY ASSISTANCE SHOULD BE VIRTUALLY ELIMINATED. ISRAEL'S DEPENDENCE ON FOREIGN MILITARY ASSISTANCE, HOWEVER, WILL UNDOUBTEDLY CONTINUE FOR A LONGER PERIOD. HE NOTED THAT ISRAEL'S DEFENSE SPENDING THIS YEAR WILL AMOUNT TO \$3 BILLION IN FOREIGN EXCHANGE. THIS FIGURE INCLUDES DIRECT MILITARY IMPORTS, INDIRECT IMPORTS AND INTEREST ON MILITARY DEBT.

3. I THANKED THE MINISTER FOR GIVING US A COPY OF THE PAPER AT THE SAME TIME IT WAS BEING PRESENTED IN WASHINGTON AND SAID THAT I WOULD CERTAINLY REPORT HIS WORDS OF GRATITUDE TO MY SUPERIORS. I SAID THAT WE AGREE THAT OUR ASSISTANCE TO ISRAEL IS IN OUR MUTUAL INTEREST AND THAT A STRONG ISRAEL IS ESSENTIAL TO THE ACHIEVEMENT OF PEACE AND STABILITY IN THIS AREA. AT SAME TIME WE HAD ASSUMED THAT THERE COULD BE SOME TAPERING OFF OF U.S. AID TO ISRAEL. THERE HAS BEEN A CHANGE IN PUBLIC AND CONGRESSIONAL ATTITUDES TOWARD FOREIGN ASSISTANCE, AND THERE IS STRONG PRESSURE TO DO MORE FOR OUR OWN ECONOMIC AND SOCIAL PROBLEM AREAS. FINALLY, TOHE PRESIDENT FORD AND MR. CARTER ARE DESIROUS OF MOVING TOWARD A BALANCED BUDGET. THESE ARE FACTORS THAT OUR ISRAELI FRIENDS MUST TAKE INTO CONSIDERATION.

4. DISCUSSION OF PAPER ITSELF WITH RABINOWITZ AND HIS ECONOMIC ADVISOR DOVRAT WILL BE REPORTED IN SEPTEL.  
TOON

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## Message Attributes

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**Decaption Date:** 01 JAN 1960  
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**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
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**To:** STATE  
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